



Director of
Central
Intelligence

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National Intelligence Daily

Monday
16 May 1988

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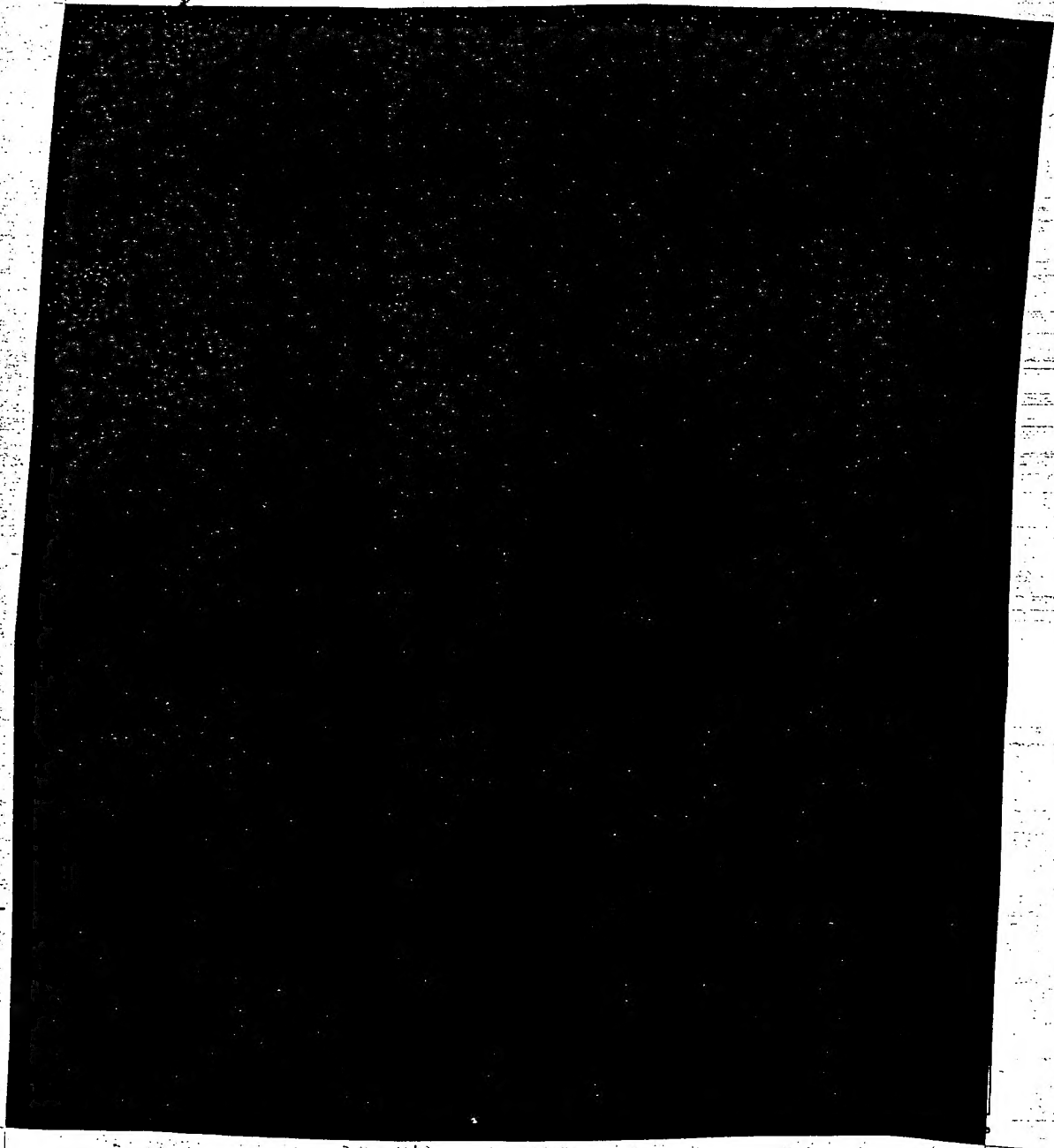
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LEBANON:

Situation Report

Syria and the
Southern Suburbs

Approximately 11,000 Syrian troops are poised to enter Beirut's southern suburbs and end the 10 days of fighting between the rival Shia Amal and Hizballah militias. The Syrian move has heightened tensions between the Lebanese Armed Forces and the Christian Lebanese Forces militia in East Beirut.

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General Kanaan, Syrian military intelligence chief for Lebanon, issued a public warning yesterday to all parties to lay down their weapons in preparation for Syrian troops' entry into the suburbs. Muslim leaders have publicly approved Syria's plans to enter the suburbs, according to press accounts.

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Syrian forces harassed Hizballah leaders in the Bekaa Valley, according to press reports.

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Comment: Syria's decision to threaten the southern suburbs probably stems more from Hizballah's forays into Syrian-occupied areas of West Beirut than from a desire to prop up Amal. Damascus may still hope its show of force will intimidate Hizballah, but the number of Syrian troops being committed to the southern suburbs indicates the Syrians are serious about restoring order. Should the Syrians encounter strong resistance, Syrian forces will not hesitate to use brutal force. In the past Syrian troops have extensively used indiscriminate artillery fire to crush urban resistance.

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Hizballah has avoided clashes with Syrian forces in the past, but Beirut's southern suburbs are its most important stronghold. If heavy fighting occurs in Beirut, clashes could quickly spread to the Bekaa Valley—particularly Ba'labakk—where both parties maintain a large concentration of forces. [REDACTED]

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Christian
Infighting
Possible

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Comment: Tensions in East Beirut have been rising as the presidential election draws closer, and the Syrian move plus the unannounced Lebanese Army troop rotation create an atmosphere in which Christian infighting could occur. The Lebanese Forces militia has claimed that US-Syrian discussions of Lebanese political reform threaten its political and military position in East Beirut. Fears of US-Syrian collusion against the Christian militia—paranoid though they are—will be greatly fueled if the rotation of troops loyal to Awn takes place as Syrian forces enter the southern suburbs. [REDACTED]

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PANAMA:

Situation Report

Noriega Forms
Military Council

The regime late last week announced the creation of a strategic military council comprised of some of Defense Chief Noriega's closest cronies. It will meet weekly to advise Noriega and the General Staff on questions of national sovereignty, defense, and the use of military power. [REDACTED] In addition, the council will propose solutions to labor conflicts and address political, economic, and social issues. [REDACTED]

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[REDACTED] Establishment of the council formally recognizes the existence of an inner circle of officers who have been advising Noriega for the past few months. The council will assume many of the General Staff's responsibilities, thus undermining its influence while tightening the Defense Chief's control over the military. The move may also signal Noriega's willingness to ask several ranking members of the General Staff to resign—when they complete 25 years of military service—to make room for younger officers. [REDACTED]

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Financial
Developments

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Finance Minister Goodin has warned that a US effort to extend commissary privileges to Canal employees who are US citizens would violate the Canal Treaty. [REDACTED] Goodin has threatened to confiscate the goods or to launch a media blitz accusing the US of breaking the agreement. The regime also is considering bypassing US Government agencies and companies by having their Panamanian employees pay taxes directly to the National Bank instead of having them deducted. [REDACTED]

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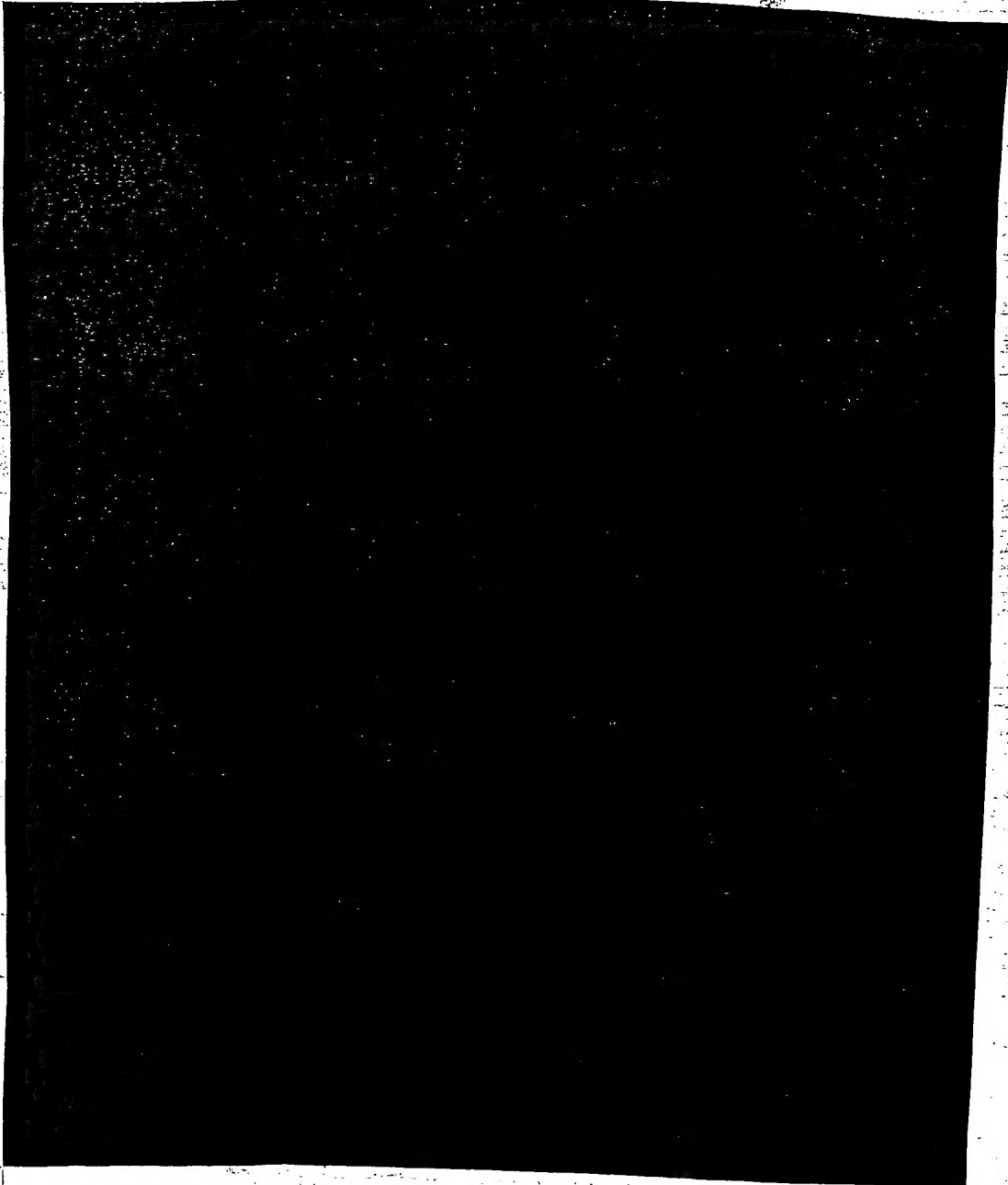
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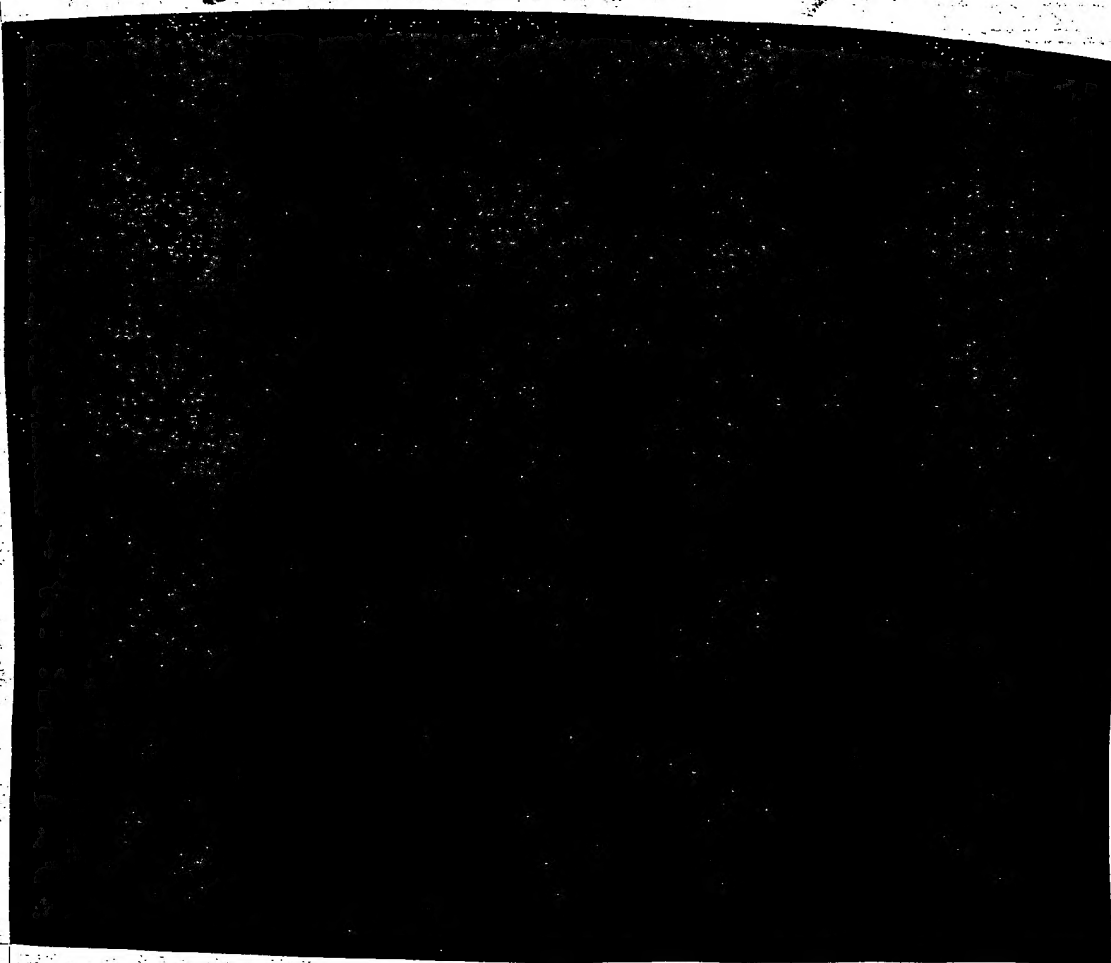
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BRAZIL: Military Concerned About Unrest

The Brazilian Army's repression of a peaceful demonstration by Black Rights activists in Rio de Janeiro last week shows the military's growing nervousness over potential civil unrest. Troops prevented 4,000 demonstrators from marching to protest racism, arresting several [REDACTED]. The local Army commander overrode civilian officials who had authorized the march, citing reports that radicals planned to deface a national military memorial. [REDACTED]

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[REDACTED] The military's concerns about civil disorders appear to be growing as economic conditions deteriorate. The military recently occupied hydroelectric power plants to break strikes by government workers who were protesting a wage freeze. Late last year the high command faced a minor rebellion among junior officers protesting inadequate pay. Senior officers also are worried about the Sarney administration's weak political position and inconsistent economic course, but they still appear to have no desire to intervene in ways other than to maintain public order. [REDACTED]

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IRAQ: Waning Fortunes of Kurdish Rebels

Baghdad's use of chemical weapons has given it the edge against Kurdish insurgents in mountainous northern Iraq. [REDACTED]

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[REDACTED] the rebels have been forced to shift from pitched battles to small-unit hit-and-run operations. [REDACTED] heavy casualties—particularly at Halabjah in March—have led many rebels to question joint operations with units of the Iranian Revolutionary Guard. According to press reports, the Kurds demand Tehran's support for an independent Kurdish state in exchange for continued military cooperation. Meanwhile, they continue to seek Western pressure on Iraq to curtail its use of chemical weapons. [REDACTED]

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Comment: Iraqi ruthlessness in waging chemical warfare against rebels and civilians since the spring of last year and Iran's military setbacks at Al Faw have prompted the Kurds to reduce their level of fighting substantially. The insurgents may increase urban terrorism in the largely Kurdish cities of northern Iraq, but they can do little elsewhere in the country. Iran is not likely to endorse Kurdish independence for fear of inspiring its own restive Kurds. [REDACTED]

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THAILAND: Prime Minister Prem Off to Moscow

Prime Minister Prem will use his visit this week—he flies to Moscow today—to urge Soviet leaders, including General Secretary Gorbachev, to press Vietnam to withdraw its troops from Cambodia. [REDACTED] The Soviets in turn probably will ask that Thailand import more Soviet products. [REDACTED]

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[REDACTED] Prem's visit, the first by a Thai head of government, is not likely to result in a substantive improvement in relations because Moscow probably will not produce a new offer on Cambodia and because bilateral trade prospects are limited by the poor quality of Soviet goods. The trip follows visits to Moscow last year by the Foreign Minister and the Army commander and continues the slow thaw in Thai-Soviet relations begun when Gorbachev assumed power. Prem undoubtedly hopes the visit will improve his chances of being reappointed Prime Minister following the election in July—called after a parliamentary crisis last month prompted him to dissolve the government. Prem probably also hopes to deflect Soviet criticism that Bangkok relies too heavily on its ties to Washington and Beijing. [REDACTED]

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PHILIPPINES: President's Popularity Rises

Popular satisfaction with President Aquino's performance has rebounded to approximately 75 percent from the 55-percent rating she received in polls taken after the coup attempt last August. [REDACTED]

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[REDACTED] Opinions on the government's performance and the economy were less positive. Half the respondents in one poll labeled the government only "somewhat effective" overall. Respondents also were divided nearly evenly on the issue of whether their economic situation would improve next year. Half the respondents believed the Communist Insurgency was declining in their area, but a third felt it was becoming more of a problem. [REDACTED]

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[REDACTED] Despite the mixed response on the economy, Aquino's personal popularity probably increased largely because of the economic recovery. Personal income rose last year for the first time since 1982, and consumer spending has risen. In addition, Filipinos probably see the political situation as more stable following the relatively peaceful local elections in January. The responses on socioeconomic questions suggest, however, that Filipinos remain generally skeptical about government efforts to address such problems as poverty and the distribution of wealth. [REDACTED]

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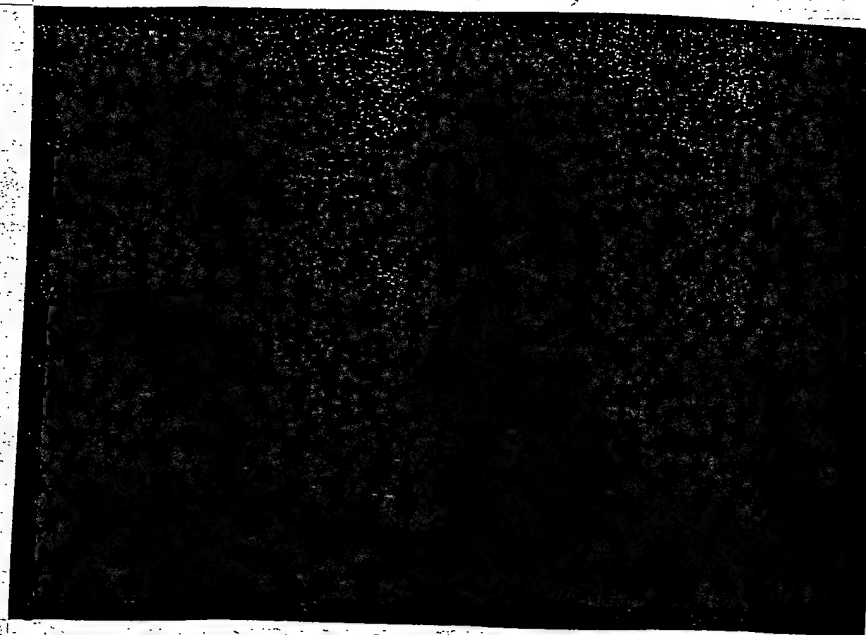
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NIGERIA: Plans To Ease Discontent

Lagos plans to relax its two-year-old ban on grain imports to allow prices of staples to drop and thereby combat hoarding, particularly by politically powerful northerners. Rising food prices—not to mention fuel and transport costs, which jumped sharply after the recent reduction in government petroleum subsidies—have increased popular discontent with economic reform.

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President Babangida has shielded the military from the effects of most austerity measures by providing it with special allowances and bonuses.

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The labor strikes and student demonstrations that erupted last month almost certainly played a role in prompting the government's reconsideration of its ban on grain imports. Lifting the ban would further erode foreign exchange reserves and Nigeria's ability to service its \$25 billion debt. International lenders and the IMF are concerned that the new budget Lagos is working on will increase government spending in an effort to stimulate the economy, and stem popular dissatisfaction with economic reform. Babangida's hope to curb hoarding by prominent northerners—many of whom have been banned from political activity—is probably an attempt to undercut their influence and gain more support for the transition to civilian rule that is off to a slow start.

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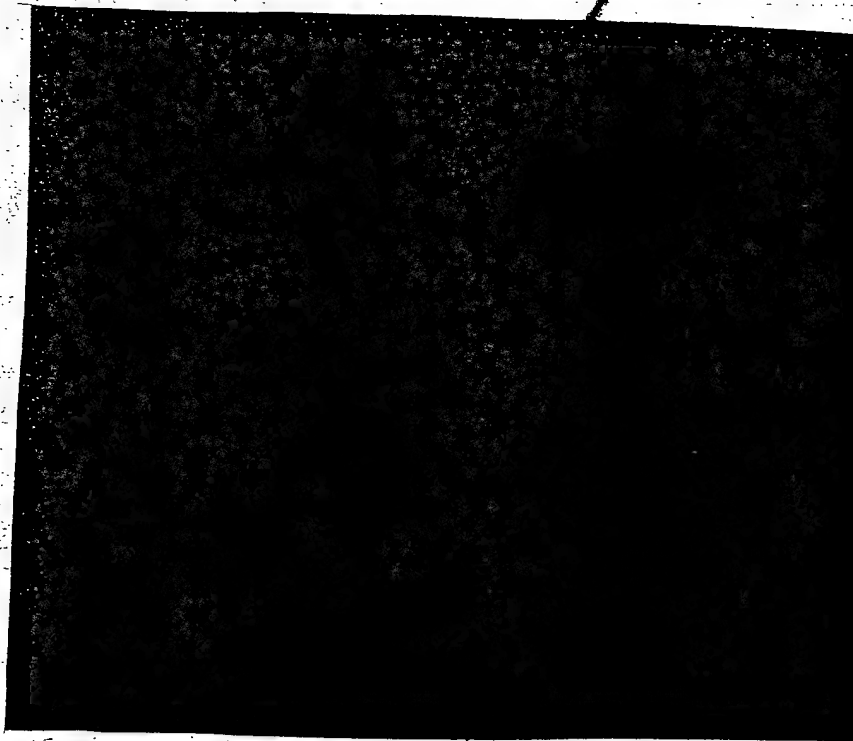
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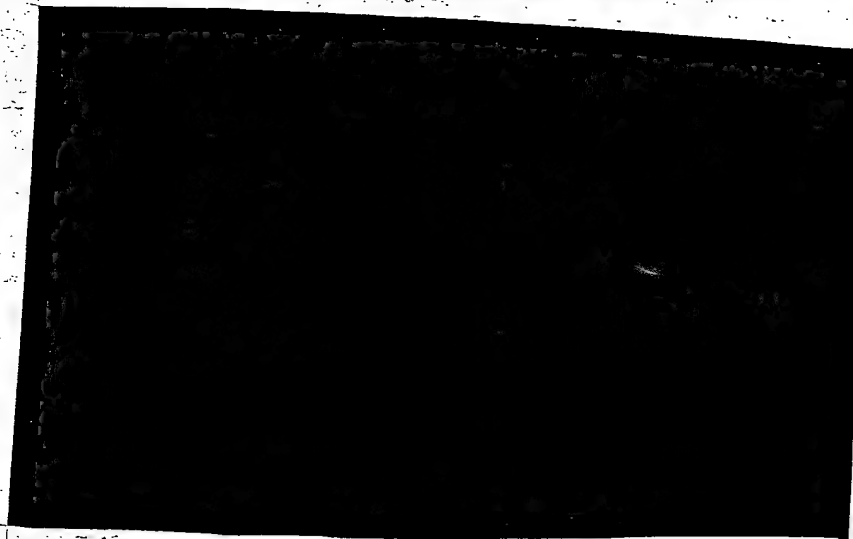
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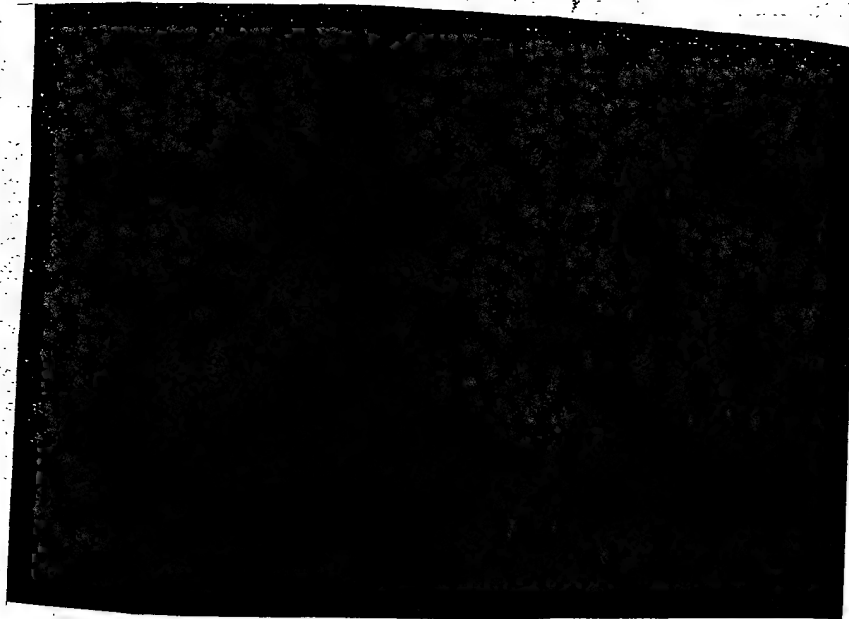
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JAPAN- CHINA: Setting Tone for Takeshita's Visit

China [redacted] used Japanese Foreign Minister Uno's recent visit to Beijing as an opportunity to improve the atmosphere in preparation for Prime Minister Takeshita's visit in August. [redacted] the Chinese leaders, in their discussions with the Japanese diplomats, did not issue their standard warnings about Japan's increased defense spending, although they did criticize a Japanese minister's recent remarks intended to absolve Japan of wartime aggression.

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[redacted] Beijing probably played down differences in the hope that a more moderate line would prompt Takeshita to accommodate China on economic issues. The Chinese are particularly eager to advance the starting date of a new multiyear loan package—now set to begin in 1991—in which they are seeking more than \$8 billion.

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In Brief

Europe

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[REDACTED]

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— Raif Dizdarevic became first among equals in nine-man collective Yugoslav presidency yesterday . . . Muslim from Bosnia . . . former Foreign Minister . . . constraints of job may temper tendency toward harsh anti-US, pro-Arab rhetoric.

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East Asia

— Some 8,000 South Korean students clashed with police in Seoul Saturday . . . were demanding two Koreas cohost Olympics, proposing North-South student meeting . . . radicals probably want to inject reunification issue into Kwangju protests this week.

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Middle East

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[REDACTED]

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[REDACTED]

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— Hotel and club in Khartoum, Sudan, bombed and attacked by gunmen yesterday . . . both targets Western-affiliated . . . at least seven people killed, 20 wounded.

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USSR

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[REDACTED]

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South Asia

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[REDACTED]

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— Pakistani President Zia has added five new ministers and three ministers of state to cabinet . . . no effect on important portfolios . . . Prime Minister Junejo probably lining up supporters as he looks toward national election.

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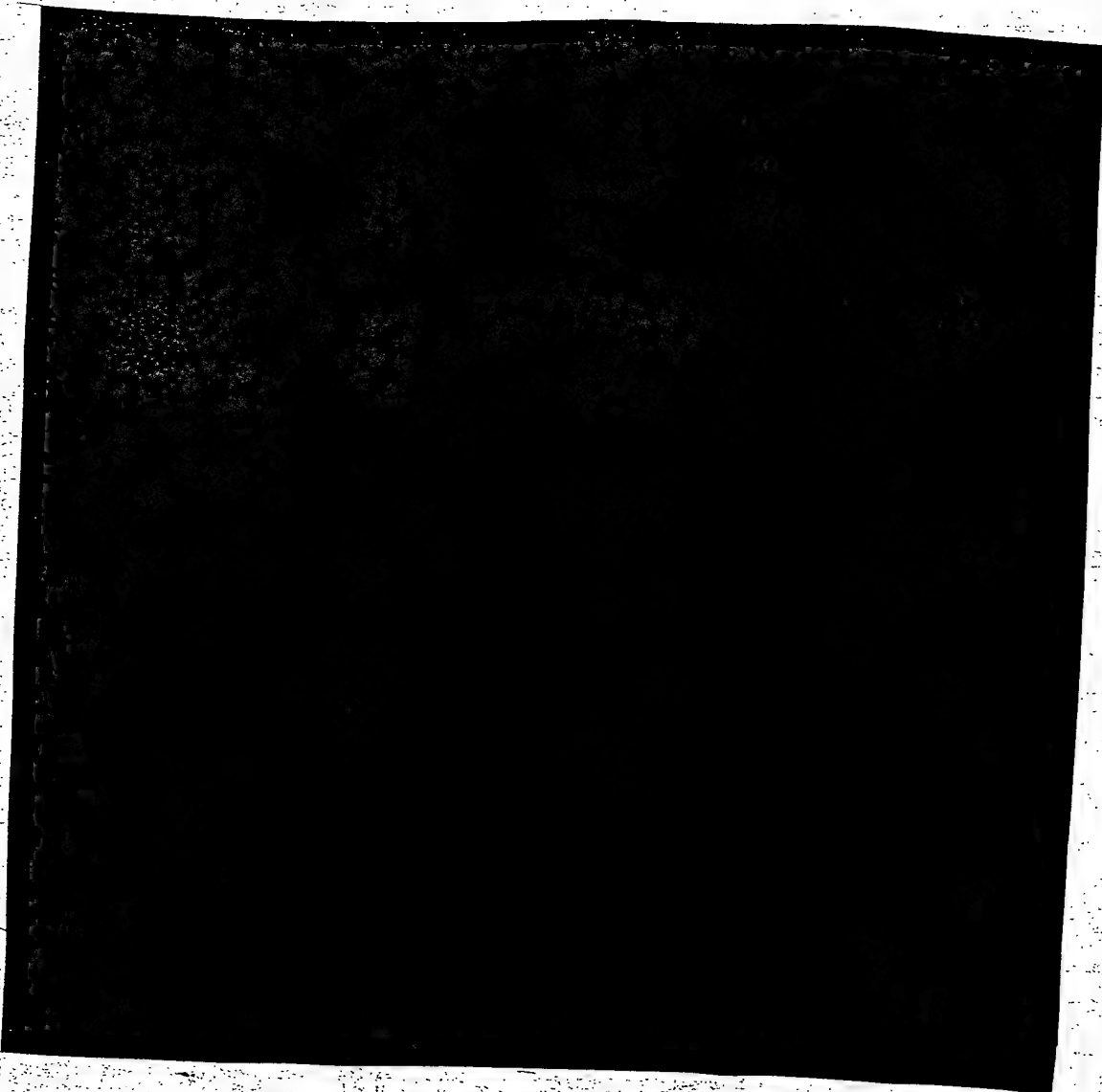
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Special Analysis

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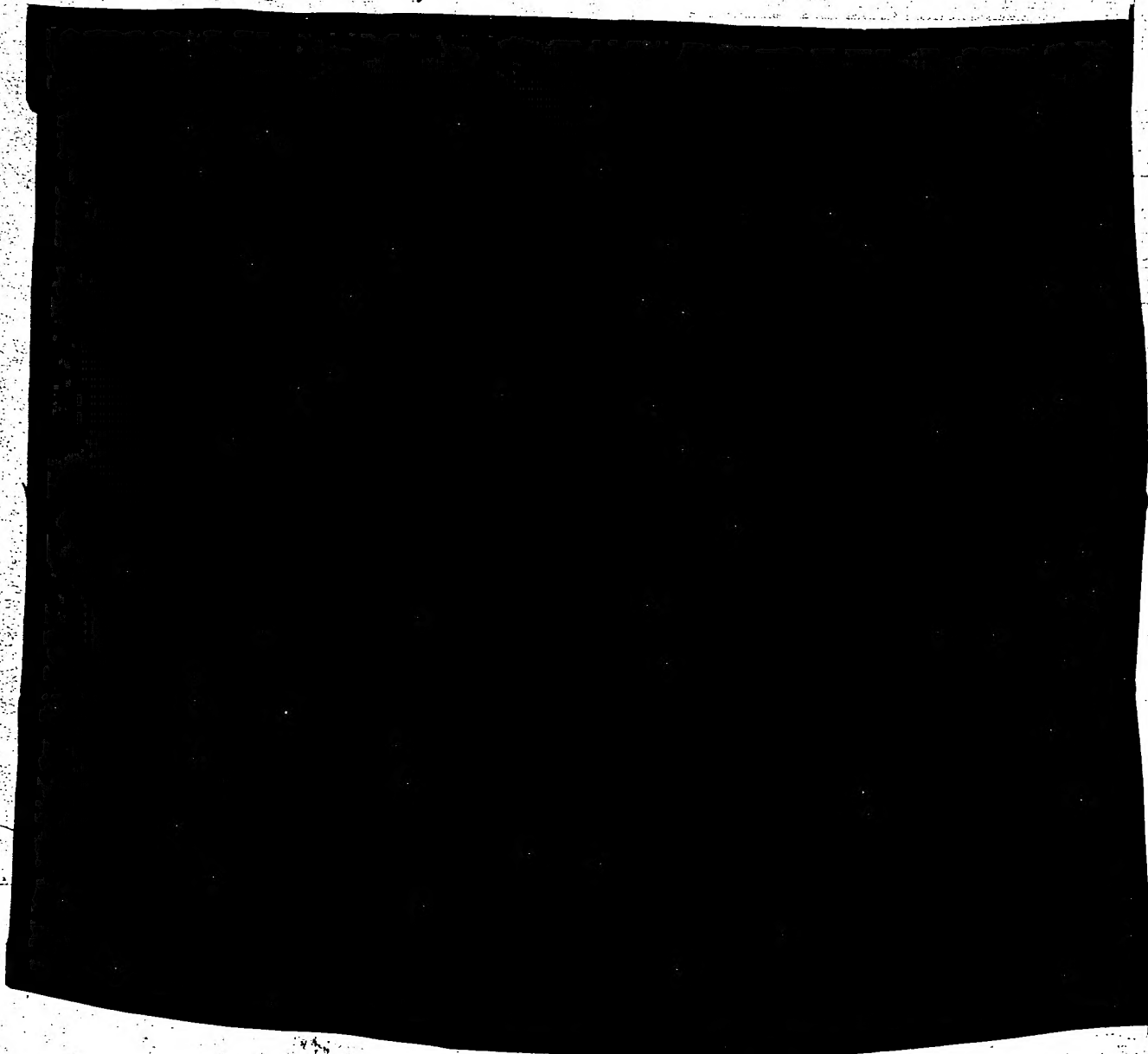
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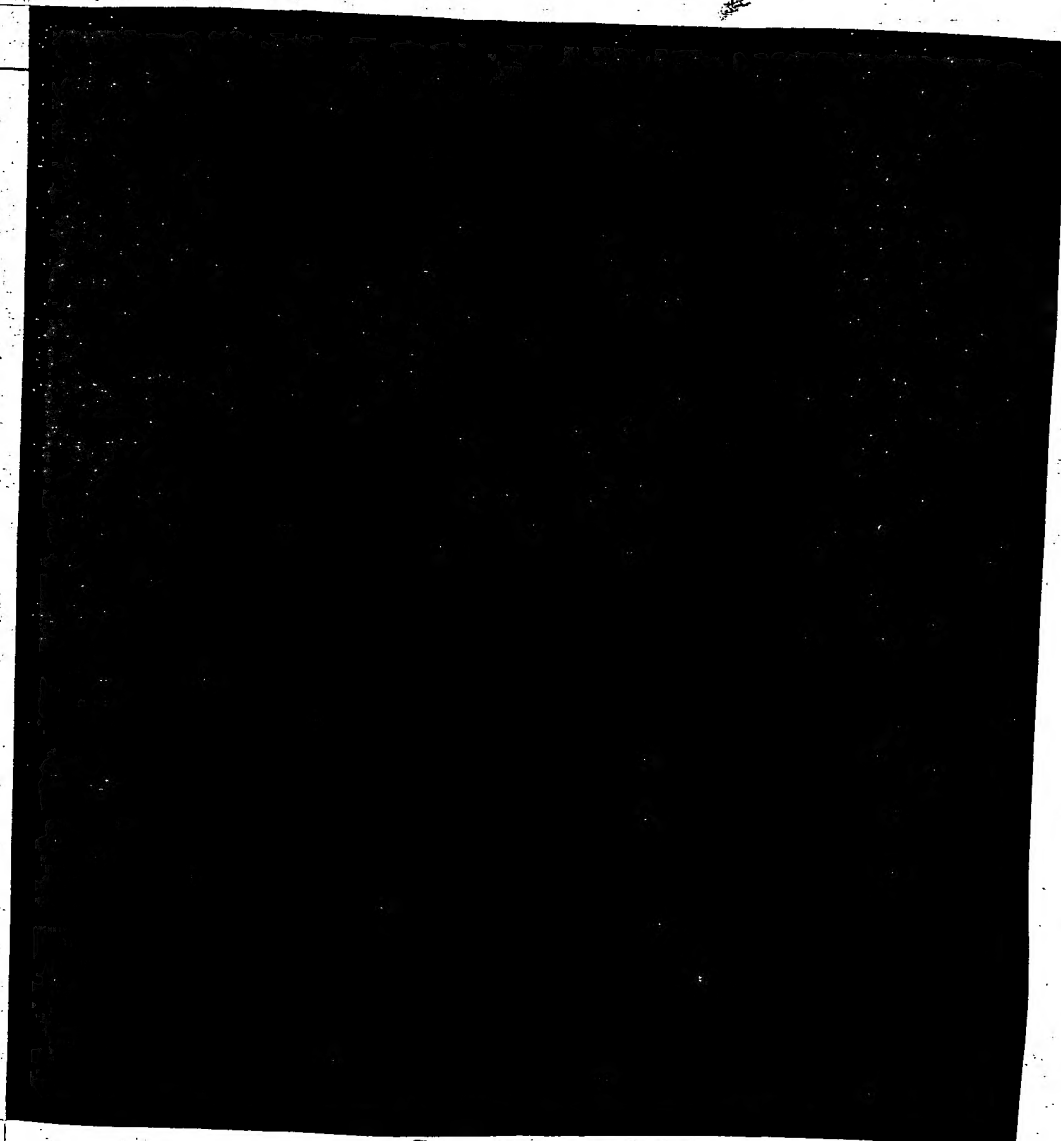
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